

Joseph DiBella
Assistant General Counsel – Regulatory



1515 North Courthouse Road
Suite 500
Arlington, VA 22201
Phone 703 351-3037
Fax 703 351-3676
joseph.dibella@verizon.com

March 31, 2003

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

*Re: Verizon Telephone Companies Section 63.71 Application to
Discontinue Expanded Interconnection Service Through Physical
Collocation, WC Docket No. 02-237*

Dear Ms. Dortch:

In response to comments filed in the above-referenced proceeding and to discussions with the Commission during *ex-parte* presentations, Verizon has modified its credit proposal for customers who choose to convert their federal expanded interconnection physical collocation arrangements in the New England Area from the federal tariffs to the state tariffs as a result of approval of Verizon's section 214 application. In this new proposal, Verizon would offer carriers the option to choose between a one-time credit against their accounts or an annual credit applied over 9 years at the Internal Revenue Service rate for underpayments, which is the short-term interest rate plus 3 percent (5.45%). Although Verizon does not agree with commenters who have argued that the credit should be based on an assumption that space preparation costs should be amortized over 30 years, Verizon has used a 30-year amortization in the calculation of both the one-time credit and the annual credit in order to moot objections to the section 214 application. The credit also reflects the fact that the average life of current collocation arrangements is now 36 months, rather than 30 months as Verizon originally estimated, due to the amount of time that the section 214 application has been pending. For the same reason, the annual credit would be applied over a shorter period (9 years instead of 9.5 years).

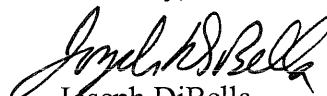
Verizon would also offer a similar credit proposal for collocators who choose to convert to the state tariffs in the Verizon South states. The credit in the south would only apply to collocators who ordered federal physical collocation arrangements after the date that Verizon's tariffs became effective in the state jurisdiction changing the space preparation rates. The credit would vary based on the size of the collocation arrangement, reflecting the differences between the federal and state rate structures. In offering this credit, Verizon does not concede that space preparation rates in the federal or state tariffs prior to the dates that the state rates were changed were unreasonable (in fact, for some arrangements they were less expensive).

For collocators who choose to convert their existing federal collocation arrangements to state arrangements, both the one-time credit and the annual credit will be applied against and as reductions in the amounts paid by the collocators in the past under the federal tariff for space preparation in the accounts in which those payments were made. If, as a result of such credit, there is a net balance payable from Verizon to the customer, taking into account all accounts of the customer and all liabilities of the customer to Verizon, the customer will have the option of receiving the net balance as a payment from Verizon or as a continuing credit against future charges.

Attachment A provides a list of the credits that will be filed in the tariff for eligible arrangements in New England that are converted within 30 days of the tariff effective date. Verizon will also calculate lump sum and annual credits for the Verizon South states.

These changes significantly enhance the conversion option and provide additional demonstration that approval of Verizon's section 214 application would be in the public interest.

Sincerely,



Joseph DiBella

Attachment

Cc: J. Dygert
J. McKee
J. Nitsche
J. Lichford
N. Uri
E. Gold

New England Space Credit Options

	Annual Credit Amount	Lump Sum Credit Amount
Physical \leq 100 sq. ft.	\$4,129	\$29,322
Physical 101-200 sq. ft.	\$5,998	\$42,589
Physical 201-300 sq. ft.	\$9,915	\$70,405
Physical \geq 301 sq. ft.	\$12,986	\$92,215
SCOPE	\$524	\$3,719